

SUTTER COUNTY OFFICE OF EDUCATION

Report of Review

AUDIT RESOLUTION PROCESS

Fiscal Year (FY) 2010-11 and FY 2011-12



JOHN CHIANG
California State Controller

December 2013



JOHN CHIANG
California State Controller

December 9, 2013

Bill Cornelius
County Superintendent of Schools
Sutter County Office of Education
970 Klamath Lane
Yuba City, CA 95993

Dear Mr. Cornelius:

The State Controller's Office (SCO) reviewed the Sutter County Office of Education's (COE) audit resolution process for local education agency exceptions noted in the annual audit reports. The review covered fiscal year (FY) 2010-11 and FY 2011-12.

Our review found that the Sutter COE followed its audit resolution process for FY 2010-11 and FY 2011-12. As a result, the Sutter COE was in compliance with Education Code section 41020, except for its late submission of all FY 2011-12 LEA certifications of correction or plans of correction and the Certification of Correction Action Resolution of 2011-12 Audit Findings submitted to the California Superintendent of Public Instruction and the SCO.

If you have any questions, please contact Carolyn Baez, Chief, Financial Audits Bureau, at (916) 322-7656.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/sk

cc: Linda Protine, Deputy Superintendent – Administrative Services
Sutter County Office of Education
Barbara Henderson, Director of External Services
Sutter County Office of Education
Peter Foggiano, Director
School Fiscal Services Division
California Department of Education
Arlene Matsuura, Education Fiscal Services Consultant
School Fiscal Services Division
California Department of Education
Dan Troy, Principal Program Budget Analyst
Education Systems, Department of Finance

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Review Report

Summary

The State Controller's Office (SCO) reviewed the Sutter County Office of Education's (COE) audit resolution process for local education agency (LEA) exceptions noted in the annual audit reports for fiscal year (FY) 2010-11 and FY 2011-12. Our review found that the Sutter COE followed its audit resolution process for FY 2010-11 and FY 2011-12, except for its late submission of all 2011-12 LEA certifications of correction or plans of correction and the Certification of Corrective Action Resolution of 2011-12 Audit Findings submitted to the Superintendent of Public Instruction (SPI) and the SCO.

Background

California Education Code section 41020(n) requires the State Controller to annually select a sampling of county superintendents of schools to perform a follow-up review of the audit resolution process. Results of these reviews are reported to the SPI and the county superintendents of the schools that were reviewed.

Furthermore, California Education Code section 41020(n) states that the State Controller shall require auditors to categorize audit exceptions in the audit report in such a manner that both the county superintendent of schools and the SPI can discern which exceptions they are responsible for ensuring that LEAs correct.

The Sutter COE provides coordination of educational programs and professional and financial supervision for ten local education agencies under its direct jurisdiction. In addition, the county superintendent of schools maintains special schools and programs countywide independent of the local education agencies.

County superintendents of schools are required to do the following:

- Review, for each of their school districts, the audit exceptions relating to attendance, inventory of equipment, internal control, and any miscellaneous items; and determine whether the findings have been corrected or an acceptable plan of correction has been developed (California Education Code section 41020(i)(1));
- Review audit exceptions related to instructional materials program funds, teacher misassignments, and school accountability report cards. The county superintendents must also determine whether the exceptions have been corrected or an acceptable plan of correction has been developed (California Education Code section 41020(i)(2));
- Review audit exceptions related to attendance exceptions or issues that shall include, but are not limited to, those related to revenue limits, adult education, and independent study (California Education Code section 41020(j)(1));

- Notify the LEA and request the governing board of the LEA to provide to the county superintendent of schools a description of the correction or plan of correction by March 15 (California Education Code section 41020(j)(2));
- Review the description of the correction or plan of correction and determine its adequacy and, if its response was not adequate, require the local education agency to resubmit a portion of its response (California Education Code section 41020(j)(3));
- By May 15, certify to the SPI and the SCO that the county has reviewed all applicable exceptions, and state that all exceptions have been corrected or an acceptable plan for correction has been submitted by the LEA to the county superintendent, except as noted in the certification. In addition, identify by LEA any attendance-related exceptions or exceptions involving state funds, and require the LEA to submit the appropriate reporting forms to the SPI for processing (California Education Code section 41020(k));
- Review LEA's unresolved prior year audit exceptions when the California Department of Education defers to the County (California Education Code section 41020(l)); and
- Adjust subsequent local property tax requirements to correct audit exceptions relating to LEA tax rates and tax revenues (California Education Code section 41020(o)).

Objective, Scope, and Methodology

Our review was conducted under the authority of California Education Code section 41020(n). Our review scope was limited to determining whether or not the COE followed its audit resolution process in resolving audit exceptions. Our review did not include an evaluation of the sufficiency of the action taken by the local education agency and the COE to address each exception, nor did it assess the degree to which each exception was addressed. Specifically, our review was limited to the following procedures.

- Verifying whether the COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified whether the COE addressed any findings on instructional materials program funds, teacher misassignments, and school accountability report cards. However, with respect to exceptions based on sample items, our review did not include a determination of whether or not the exception results were properly quantified and addressed at a districtwide or countywide level;
- Verifying whether the COE notified LEAs that they must submit completed corrective action forms to the COE by March 15, 2012, and March 15, 2013, for FY 2010-11 and FY 2011-12, respectively. Our review did not include an assessment of the local education agencies' progress with respect to taking corrective action;

- Verifying whether the COE required the LEAs to submit the appropriate reporting forms to the SPI for any attendance-related exceptions that affect state funding;
- Reviewing the letters of certification due on May 15, 2012, and May 15, 2013, that the COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions;
- Verifying whether the COE followed up with unresolved prior year audit exceptions the SPI required the COE to conduct; and
- Verifying whether the COE adjusted subsequent local property tax requirements to correct audit exceptions relating to LEA tax rates and tax revenues.

Conclusion

Our review found that the COE followed its audit resolution process for FY 2010-11 and FY 2011-12. As a result, the COE was in compliance with California Education Code section 41020 for FY 2010-11 and FY 2011-12, except for its late submission of all the 2011-12 LEA certifications of correction or plans of correction and the Certification of Corrective Action Resolution of 2011-12 Audit Findings submitted to the SPI and SCO.

Views of Responsible Official

Our conclusion and review finding were provided to the Sutter COE for review in a draft report issued October 23, 2013. The Sutter COE's response is included as an attachment to this report.

Linda Protine, Deputy Superintendent of Administrative Services, generally agreed with the conclusion and review finding presented in the report.

Restricted Use

This report is intended solely for the information and use of the Sutter COE, the SPI, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not meant to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 9, 2013

Finding and Recommendation

FINDING— LEA and COE certifications submitted late

We noted that the form letter provided by the Sutter County Office of Education (COE) requesting its local education agencies (LEAs) to provide a certification of correction or plan of correction for the LEAs' fiscal year 2011-12 audit findings was dated April 10, 2013. In addition, the Sutter COE's form letter to its LEAs requested that the LEAs' certifications of correction or plans of correction be provided by May 15, 2013, even though the LEAs are required to provide this information to the COE no later than March 15, 2013.

The COE's management stated that the audit resolution process for the fiscal year (FY) 2011-12 audit findings was not started until after the March 15 deadline had passed. As a result, all of the LEA's FY 2011-12 certifications were submitted to the COE past the March 15 due date. Furthermore, the COE's certification of correction action to the Superintendent of Public Instruction (SPI) and the State Controller's Office (SCO) was dated May 21, 2013, and was also past the COE's reporting due date of May 15, 2013.

California Education Code section 41020(j)(2) states, in part:

If a description of the correction or plan of correction has not been provided as part of the audit required by this section, then the county superintendent of schools shall notify the local educational agency and request the governing board of the local educational agency to provide to the county superintendent of schools a description of the corrections or plan of correction by March 15.

California Education Code section 41020(k) states, in part:

Each county superintendent of schools shall certify to the Superintendent and the Controller, not later than May 15, that his or her staff has reviewed all audits of local educational agencies under his or her jurisdiction for the prior fiscal year, that all exceptions that the county superintendent was required to review were reviewed, and that all of those exceptions, except as otherwise noted in the certification, have been corrected by the local educational agency or that an acceptable plan of correction has been submitted to the county superintendent of schools. In addition, the county superintendent shall identify, by local educational agency, any attendance-related audit exception or exceptions involving state funds, and require the local educational agency to which the audit exceptions were directed to submit appropriate reporting forms for processing by the Superintendent.

Recommendation

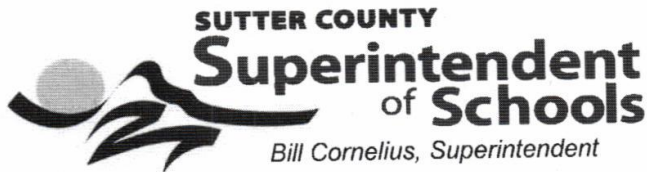
The COE should ensure compliance with California Education Code section 41020(j)(2) and 41020(k) by initiating the audit resolution process sufficiently in advance to allow time for the LEAs to submit their certifications of correction or plans of correction by the March 15 due date and for the COE to submit its certification of correction or plan of correction to the SPI and the SCO by the May 15 due date.

COE's Response

The County Office of Education concurs with the finding that for the 2011-12 audit finding resolution process, the COE missed the March 15 deadline. The COE has always successfully implemented the process as documented in previous State Controller's Office audit reviews. The 2011-12 year process was not fully implemented due to critical staff positions being vacant. The COE has implemented a calendar and documented the process in a manner that will afford other staff the ability to step into the process and implement our duties timely in the event that key staffing changes take place.

The County Office also acknowledges that while the March 15th date was missed, we were able to certify exceptions were corrected by the May 15th deadline. We had one district that was without a Superintendent at the time and with the advance permission from Rachael Tucker we submitted all corrective actions plans without the one district on May 21, 2013.

**Attachment—
Sutter COE's Response
to Draft Report**



970 Klamath Lane
Yuba City, CA 95993
Phone (530) 822-2900
Fax (530) 671-3422

To: Kenneth Corbridge, CPA, State Controller's Office

From: Linda Protine, Deputy Superintendent of Administrative Services *LP*

Date: November 12, 2013

Re: State Controller Audit Finding (response)

The County Office of Education concurs with the finding that for the 2011-12 audit finding resolution process, the COE missed the March 15 deadline. The COE has always successfully implemented the process as documented in previous State Controller's Office audit reviews. The 2011-12 year process was not fully implemented due to critical staff positions being vacant. The COE has implemented a calendar and documented the process in a manner that will afford other staff the ability to step into the process and implement our duties timely in the event that key staffing changes take place.

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